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FM AMEMBASSY SINGAPORE
TO RUEHC/SECSTATE WASHDC 5687
RUCNASE/ASEAN MEMBER COLLECTIVE
RUEHNE/AMEMBASSY NEW DELHI 2087
RUEHUL/AMEMBASSY SEOUL 4235
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UNCLAS SECTION 01 OF 02 SINGAPORE 000931

SENSITIVE

SIPDIS

E.O. 12958: N/A

TAGS: [ETRD](#) [ECON](#) [ASEAN](#)

SUBJECT: ASEAN CONCLUDES FTA'S WITH INDIA, AUSTRALIA/NZ

¶1. (SBU) Summary: ASEAN member nations concluded this week a limited Free Trade Agreement (FTA) covering trade in goods with India and a separate, more comprehensive agreement with Australia and New Zealand. Both are scheduled to be signed at the Bangkok ASEAN Summit in December. The agreements add to previously signed ASEAN trade agreements with China, Korea, and Japan. End Summary.

¶2. (U) On the margins of the 40th annual meeting of ASEAN Economic Ministers (AEM) held August 25-29 in Singapore, ASEAN member nations concluded a joint FTA with Australia and New Zealand, and a limited trade agreement with India. ASEAN announced on August 28 that negotiations on both agreements had been concluded, but scheduled signings for later this year to allow for legal reviews and other domestic approval processes. ASEAN plans to sign both agreements at the ASEAN Summit in Bangkok in December and hopes to have investment pacts with China and Korea ready by that date as well.

Australia/NZ - ASEAN's first comprehensive FTA

¶3. (U) After more than three years and 16 rounds of negotiations, ASEAN concluded a comprehensive FTA with Australia and New Zealand, the first FTA that ASEAN has pursued that included negotiations on goods, services and investment simultaneously. The agreement covers trade in goods, services, investment, financial services, telecommunications, electronic commerce, movement of natural persons, intellectual property, competition policy and economic cooperation. Implementation time frames are staggered, with Australia and New Zealand typically having the shortest implementation times and Burma, Cambodia and Laos the longest.

¶4. (SBU) Agreement was reached after last-minute wrangling over a number of issues that threatened to delay approval until later in the year. Martin Harvey, New Zealand's High Commissioner in Singapore, told Econoff that last minute negotiations focused on market access for key agricultural exports in Indonesia and the Philippines. New Zealand is also continuing negotiations on separate bilateral side agreements on labor and the environment with Indonesia and the Philippines.

¶5. (U) ASEAN's trade with Australia and New Zealand hit USD 47.8 billion in 2007, with ASEAN netting a trade surplus of 14.2 billion. Flows of Australian and New Zealand investment in ASEAN were USD 1.1 billion in 2007.

India FTA limited, services and investment to follow

¶6. (SBU) ASEAN also announced conclusion of a limited trade agreement with India after six years of negotiations. The agreement covers only trade in goods, with 489 items excluded from tariff reduction. Negotiations had focused on reducing India's proposed

list of excluded items down from an initial 1414 products. Ms. Tan Mey Ling, senior assistant director at Singapore's Ministry of Trade and Industry, told Econoff the two sides agreed on the 489 figure nearly two years ago, but negotiations had hung up over tariff treatment for crude and refined palm oil, coffee, pepper and tea. ASEAN and India also agreed to launch negotiations on services and investment as a single undertaking. Negotiations are set to begin soon with a goal of completion by the end of 2009.

¶7. (U) India is the 7th largest trading partner for ASEAN countries collectively and accounts for only two percent of ASEAN's external trade. However, it is also one of ASEAN's fastest growing markets with exports growing at an average of 31 percent annually since ¶2005. ASEAN and India have targeted trade to hit USD 50 billion by 2010, up from the current USD 38 billion.

ASEAN's other regional FTAs

¶8. (U) The FTAs concluded with India and Australia/New Zealand join a network of other FTAs that ASEAN economies have completed with regional countries, including Korea, Japan and China. At the ASEAN Economic Ministers (AEM) meetings this week, ASEAN and China announced progress toward a bilateral investment pact that they expected would be signed in December. The pact would build on agreements in trade in goods and services completed in 2004 and 2006 respectively. Korea is also pursuing an investment agreement with ASEAN that AEM Ministers hoped would be concluded by December as well. In a joint statement, Japan and AEM Ministers noted the signing of the ASEAN-Japan Comprehensive Economic Partnership Agreement in April and said they looked forward to implementation of

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the agreement during 2008. In an August 29 statement, ASEAN Secretary General Surin Pitsuwan said ASEAN had agreed on a schedule of discussions for an FTA with the European Union, but called it "one of the most challenging" FTAs ASEAN had pursued. Press reports cited Burma's membership in ASEAN as a complicating factor.
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